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Subject:	JPMorgan subject of obstruction probe in energy case <JPM.N>

EXCLUSIVE-JPMorgan subject of obstruction probe in energy case <JPM.N>
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By Emily Flitter

NEW YORK, Sept 4 (Reuters) - U.S. authorities are conducting a criminal investigation into whether several employees of JPMorgan Chase & Co. tried to impede a regulatory investigation into alleged manipulation of power markets, according to multiple sources familiar with the matter.

The probe, which is in its early stages, is being conducted by the Federal Bureau of Investigation and prosecutors in Manhattan U.S. Attorney Preet Bharara's office. It comes after a JPMorgan subsidiary agreed on July 30 to pay a $410 million penalty to settle a manipulation case brought by the Federal Energy Regulatory Commission.

The sources said investigators aim to determine whether individuals at JPMorgan - including three Houston-based employees - gave regulators all the information they needed to investigate JPMorgan's power market deals in California and the Midwest.

Deliberately withholding information from investigators or lying during interviews conducted as part of an investigation is considered obstruction of justice, a criminal offense.

Jennifer Queliz, a spokeswoman for Bharara, and Peter Donald, a spokesman for the FBI, both declined to comment.

On July 30, FERC announced JPMorgan Ventures Energy Corp had agreed to settle a case in which FERC alleged the bank had used "manipulative bidding strategies" from September 2010 through November 2012. [ID:nL1N0G00PK]

As part of the settlement, according to FERC, JPMorgan admitted the facts in the agreement but "did not admit or deny the violations."

JPMorgan has said publicly it told regulators it did not lie during the investigations. No individual from the bank has been accused of wrongdoing.

The criminal inquiry by federal authorities is the latest in a series of legal and regulatory headaches for Chief Executive Jamie Dimon. [ID:nL2N0GK02G]

Dimon piloted JPMorgan through the financial crisis, but it is now facing at least a dozen investigations from federal agencies and state and foreign governments, including probes over the "London Whale" trading scandal that cost the bank more than $6.2 billion.

Last month, the bank revealed that it was facing parallel criminal and civil probes by the U.S. Department of Justice in California into mortgage bonds that it sold before the financial crisis. It also disclosed an investigation by U.S. officials about whether its Hong Kong office hired the children of powerful heads of state-owned companies in China with the purpose of winning underwriting business and other contracts.

The Wall Street Journal first reported the existence of the criminal probe into the bank's activities in the power market last month but said the investigation focused on whether JPMorgan manipulated the power markets, not allegations of obstruction of justice.

The impetus for the investigation, according to one of the sources, was in part a July 31 letter to FERC from Massachusetts Senator Elizabeth Warren and Massachusetts Congressman Edward Markey, both Democrats.

The letter asked FERC about why it had allowed JPMorgan to settle the case without admitting wrongdoing and why no individual executives faced regulatory action.

The letter also asked FERC why no action was taken against people who "impeded the Commission's investigations."

In November 2012, months before the settlement, FERC imposed a six-month suspension on JPMorgan from participation in the electric power market.

A FERC press release said the regulator imposed the suspension "because the company made factual misrepresentations and omitted material information over the course of several months of communications with the California Independent System Operator (California ISO) and in filings to the Commission in connection with requests for information involving bidding activities in the California market."

The U.S. criminal probe is not the only inquiry into the matter. The Senate Permanent Subcommittee on Investigations is also looking into issues surrounding the FERC case, including whether the bank or any of its employees lied to regulators or impeded their inquiries.

Elise Bean, the committee's chief counsel and majority staff director, declined to comment.

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